

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Coleman	County Midland
Audit Date 6/30/04	Opinion Date 8/6/04	Date Accountant Report Submitted to State: 10/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

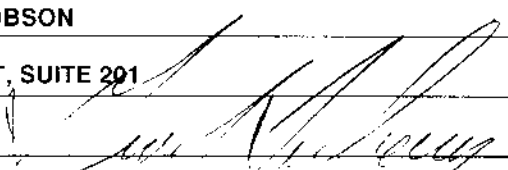
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 5800 GRATIOT, SUITE 201	City SAGINAW	State MI	ZIP 48605
Accountant Signature 		Date 9/16/04	

City of Coleman

Coleman, Michigan

Financial Statements

For the Year Ended June 30, 2004

CITY OF COLEMAN

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

August 6, 2004

To the City Council
City of Coleman
Coleman, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Major Street, and Street and Sidewalk Improvement Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2004, on our consideration of **City of Coleman's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *City of Coleman's* basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

CITY OF COLEMAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2004

CONCEPTUAL INFORMATION ABOUT THE CITY'S FINANCIAL STATEMENTS

The city's adoption of Governmental Accounting Standards Board Statement Number 34 (GASB 34) changes the format for presentation of City of Coleman's audit for the year ended June 30, 2004. The primary government is presented in two categories, governmental activities and business-type activities. Governmental activities consolidate all general and other governmental funds. This reflects the City of Coleman as a whole that is inclusive of all general operating, special revenue and capital project funds. Business-type activities are limited to the Sanitary Sewer Fund, the Water Fund and Pere Marquette Senior Estates Fund. As the audit report progresses, these categories are presented as individual funds indicating separate fund activities that make up the total governmental and business type presentation. The statement of net assets gives you a combined City total of assets net of debt with the difference as a statement of equity or net assets. The City of Coleman has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

FINANCIAL HIGHLIGHTS

The City of Coleman's assets exceed its liabilities at the close of the most recent fiscal year by \$3,904,431 (net assets). Of this amount \$1,421,280 may be used to meet the city's continuing obligations to citizens and creditors.

The City's total net assets increased by \$106,489 during the 2003-2004 fiscal year.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$483,538, a decrease of \$7,804 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2004, General Fund revenues exceed expenditures before transfers out by \$27,014.

Because this is the first year of implementation of Governmental Accounting Standard Board Statement No. 34 which requires this new reporting model, the following table presents only current year data. In future years, when prior year information is available, comparative analysis of the City of Coleman's data will be presented.

CITY OF COLEMAN'S Net Assets

	Governmental activities	Business-type activities	Total
Current and other assets	\$ 556,530	\$ 947,557	\$ 1,504,087
Capital Assets	<u>766,797</u>	<u>1,691,070</u>	<u>2,457,867</u>
Total assets	<u>1,323,327</u>	<u>2,638,627</u>	<u>3,961,954</u>
Accounts payable and accrued expenses	32,647	13,398	46,045
Non-current liabilities	<u>11,478</u>	<u>-</u>	<u>11,478</u>
Total liabilities	<u>44,125</u>	<u>13,398</u>	<u>57,523</u>
Net assets:			
Invested in capital assets, net of related debt	755,319	1,691,070	2,446,389
Restricted	36,762	-	36,762
Unrestricted	<u>487,121</u>	<u>934,159</u>	<u>1,421,280</u>
Total net assets	<u>\$ 1,279,202</u>	<u>\$ 2,625,229</u>	<u>\$ 3,904,431</u>

CITY OF COLEMAN'S Change in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 91,355	\$ 338,884	\$ 430,239
Operating grants and contributions	6,356	-	6,356
General revenues:			
Property taxes	417,423	-	417,423
Grants and contributions not restricted to specific programs	179,330	-	179,330
Unrestricted investment earnings	5,413	19,275	24,688
Miscellaneous	<u>14,727</u>	<u>11,206</u>	<u>25,933</u>
Total revenues	714,604	369,365	1,083,969
Expenses:			
General Government	133,834	-	133,834
Public Safety	173,461	-	173,461
Public Works	136,471	-	136,471
Culture and recreation	30,300	-	30,300
General Services	141,491	-	141,491
Interest on debt	1,373	-	1,373
Sewer	-	121,693	121,693
Water	-	131,661	131,661
Senior Housing	<u>-</u>	<u>107,196</u>	<u>107,196</u>
Total expenses	<u>616,930</u>	<u>360,550</u>	<u>977,480</u>
Increase in net assets	97,674	8,815	106,489
Net assets, beginning of year	<u>1,181,528</u>	<u>2,616,414</u>	<u>3,797,942</u>
Net assets, end of year	<u>\$ 1,279,202</u>	<u>\$ 2,625,229</u>	<u>\$ 3,904,431</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The City of Coleman's tax base continues to be single-family residences. Although the City's valuation continues to increase it also continues to be necessary to levy the maximum allowable mileage (after the Headlee rollback). Decreases in state revenue sharing payments have also impacted the City's operations.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were slightly less than 2.3% above original budgeted revenues due to higher than expected tax and revenue sharing monies while expenditures were approximately 1% higher than originally anticipated.

CAPITAL ASSETS

The City of Coleman invested very little in new capital assets during the fiscal year ended June 30, 2004. Due to the uncertainty of the economy, it was felt that the city should spend conservatively. Existing capital assets were maintained and several purchases are anticipated for the next fiscal year. Also, The City of Coleman adopted a capitalization threshold of \$5,000 or more which means investment in assets less than \$5,000 is expensed in the year they are acquired.

LONG-TERM DEBT

The City of Coleman's total long-term debt was \$11,478 as of June 30, 2004. This debt represents the balance owed on vehicles. The charter limits the City's indebtedness on installment purchases to 1/8 of 1% (1.25 mill) of the City's assessed/taxable value. At the City's present \$14,000,000 taxable value this limit is \$17,500. The current debt represents approximately 66% of allowed debt of this nature.

THE CITY OF COLEMAN'S FINANCIAL FUTURE

Although the City anticipates a slight increase in revenues for the 2004-2005 fiscal year, costs for health care, municipal insurance premiums, utilities etc. continue to rise at a greater rate than the anticipated increase. The City continues to maintain its facilities but struggles to provide services to its citizens at the same level as past years. The police department is especially affected due to decreases in state distributed revenue sharing. Growth in the City has been slow but the City has hopes for new business and industry. Expanding our tax base past single-family homes will have a positive effect on the City.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Coleman's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Coleman Treasurer, P.O. Box D, Coleman, Michigan 48618.

CITY OF COLEMAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 485,044	\$ 892,347	\$ 1,377,391
Receivables	53,790	59,716	113,506
Internal balances	13,431	(13,431)	-
Prepays	4,265	-	4,265
Restricted assets - cash and cash equivalents	-	8,925	8,925
Capital assets, net			
Assets not being depreciated	377,008	67,016	444,024
Assets being depreciated	389,789	1,624,054	2,013,843
Total assets	1,323,327	2,638,627	3,961,954
Liabilities			
Accounts payable and accrued expenses	32,647	13,398	\$ 46,045
Non-current liabilities:			
Due within one year	7,651	-	7,651
Due in more than one year	3,827	-	3,827
Total liabilities	44,125	13,398	57,523
Net Assets			
Invested in capital assets, net of related debt	755,319	1,691,070	2,446,389
Restricted for:			
Capital projects	36,762	-	36,762
Unrestricted	487,121	934,159	1,421,280
Total net assets	\$ 1,279,202	\$ 2,625,229	\$ 3,904,431

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 133,834	\$ 87,403	\$ -	\$ (46,431)
Public safety	173,461	3,952	-	(169,509)
Public works	136,471	-	-	(136,471)
Culture and recreation	30,300	-	-	(30,300)
General services	141,491	-	6,356	(135,135)
Interest on long-term debt	<u>1,373</u>	<u>-</u>	<u>-</u>	<u>(1,373)</u>
Total governmental activities	<u>616,930</u>	<u>91,355</u>	<u>6,356</u>	<u>(519,219)</u>
Business-type activities:				
Sewer	121,693	95,303	-	(26,390)
Water	131,661	113,125	-	(18,536)
Senior housing	<u>107,196</u>	<u>130,456</u>	<u>-</u>	<u>23,260</u>
Total business-type activities	<u>360,550</u>	<u>338,884</u>	<u>-</u>	<u>(21,666)</u>
Total primary government	<u>\$ 977,480</u>	<u>\$ 430,239</u>	<u>\$ 6,356</u>	<u>\$ (540,885)</u>

continued...

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Primary Government		Total
	Governmental Activities	Business-type Activities	
Change in net assets			
Net (expense) revenue	\$ (519,219)	\$ (21,666)	\$ (540,885)
General revenues:			
Property taxes	417,423	-	417,423
Grants and contributions not restricted to specific programs	179,330	-	179,330
Unrestricted investment earnings	5,413	19,275	24,688
Miscellaneous general revenues	14,727	11,206	25,933
Total general revenues	616,893	30,481	647,374
Change in net assets	97,674	8,815	106,489
Net assets, beginning of the year, as restated	1,181,528	2,616,414	3,797,942
Net assets, end of year	\$ 1,279,202	\$ 2,625,229	\$ 3,904,431

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2004

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>STREET AND SIDEWALK IMPROVEMENT</u>
ASSETS			
Cash and cash equivalents	\$ 133,322	\$ 62,914	\$ 38,646
Certificates of deposits	83,581	-	-
Taxes receivable	-	-	-
Accounts receivable	22,089	-	-
Prepays	4,265	-	-
Due from other funds	12,352	-	-
Due from State	<u>21,920</u>	<u>7,264</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 277,529</u></u>	 <u><u>\$ 70,178</u></u>	 <u><u>\$ 38,646</u></u>
 LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	25,890	142	-
Accrued liabilities	5,907	-	-
Due to other funds	<u>15,285</u>	<u>8,831</u>	<u>-</u>
 TOTAL LIABILITIES	 <u><u>47,082</u></u>	 <u><u>8,973</u></u>	 <u><u>-</u></u>
 FUND EQUITY			
Fund balances			
Reserved for:			
Capital projects	-	-	-
Unreserved - undesignated, reported in:			
General fund	230,447	-	-
Special revenue funds	<u>-</u>	<u>61,205</u>	<u>38,646</u>
 TOTAL FUND EQUITY	 <u><u>230,447</u></u>	 <u><u>61,205</u></u>	 <u><u>38,646</u></u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$ 277,529</u></u>	 <u><u>\$ 70,178</u></u>	 <u><u>\$ 38,646</u></u>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ 114,772	\$ 349,654
36,762	120,343
2,517	2,517
-	22,089
-	4,265
-	12,352
-	29,184
<u>\$ 154,051</u>	<u>\$ 540,404</u>

500	26,532
-	5,907
311	24,427
<u>811</u>	<u>56,866</u>

36,762	36,762
-	230,447
116,478	216,329
<u>153,240</u>	<u>483,538</u>
<u>\$ 154,051</u>	<u>\$ 540,404</u>

CITY OF COLEMAN

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

Fund balances - total governmental funds	\$ 483,538
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	929,790
Deduct - accumulated depreciation	(279,037)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	<u>144,911</u>
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Net assets of governmental activities	<u><u>\$ 1,279,202</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	GENERAL	MAJOR STREETS	STREET AND SIDEWALK IMPROVEMENT
Revenues			
Taxes	\$ 214,844	\$ 16,849	\$ 66,561
Intergovernmental revenue - State of Michigan	179,330	88,543	-
Charges for services	78,591	-	-
Fines and forfeits	4,290	-	-
Other revenues	25,639	301	6,626
	<u>502,694</u>	<u>105,693</u>	<u>73,187</u>
Total revenues			
	<u>502,694</u>	<u>105,693</u>	<u>73,187</u>
Expenditures			
General government	104,085	-	-
Public safety	169,224	-	-
Public works	147,669	-	-
Recreation and cultural	28,766	-	-
General services	-	101,017	82,374
Other functions	25,936	-	-
	<u>475,680</u>	<u>101,017</u>	<u>82,374</u>
Total expenditures			
	<u>475,680</u>	<u>101,017</u>	<u>82,374</u>
Revenues over (under) expenditures	<u>27,014</u>	<u>4,676</u>	<u>(9,187)</u>
Other financing sources (uses)			
Transfer in	-	9,600	-
Transfer out	(9,600)	-	-
	<u>(9,600)</u>	<u>9,600</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(9,600)</u>	<u>9,600</u>	<u>-</u>
Net changes in fund balances	17,414	14,276	(9,187)
Fund balances, beginning of year	<u>213,033</u>	<u>46,929</u>	<u>47,833</u>
Fund balances, end of year	<u>\$ 230,447</u>	<u>\$ 61,205</u>	<u>\$ 38,646</u>

The accompanying notes are an integral part of these financial statements.

OTHER GOVERNMENTAL FUNDS	TOTALS
\$ -	\$ 298,254
30,626	298,499
-	78,591
-	4,290
2,404	34,970
33,030	714,604
-	104,085
-	169,224
-	147,669
-	28,766
63,337	246,728
-	25,936
63,337	722,408
(30,307)	(7,804)
-	9,600
-	(9,600)
-	-
(30,307)	(7,804)
183,547	491,342
\$ 153,240	\$ 483,538

CITY OF COLEMAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ (7,804)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital additions	110,037
Deduct - depreciation expense	(27,538)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term liabilities	5,382
An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue attributable to those funds is reported with governmental activities.	
Add - interest revenue from governmental internal service fund	34
Deduct - interest expense from governmental internal service fund	(1,058)
Add - net operating gain from governmental activities in internal service fund	18,621
Change in net assets of governmental activities	<u>\$ 97,674</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes	\$ 203,100	\$ 214,378	\$ 214,844	\$ 466
Intergovernmental revenue -				
State of Michigan	177,600	179,329	179,330	1
Charges for services	85,155	83,371	78,591	(4,780)
Fines and forfeits	250	4,200	4,290	90
Other revenues	25,450	38,890	25,639	(13,251)
Total revenues	491,555	520,168	502,694	(17,474)
Expenditures				
General government	94,120	105,440	104,085	(1,355)
Public safety	157,219	169,528	169,224	(304)
Public works	157,218	146,241	147,669	1,428
Recreation and cultural	33,815	28,610	28,766	156
Other functions	28,225	30,208	25,936	(4,272)
Total expenditures	470,597	480,027	475,680	(4,347)
Revenues over (under) expenditures	20,958	40,141	27,014	(13,127)
Other financing (uses)				
Transfer out	(9,600)	(9,600)	(9,600)	-
Net changes in fund balance	11,358	30,541	17,414	(13,127)
Fund balance, beginning of year	213,033	213,033	213,033	-
Fund balance, end of year	\$ 224,391	\$ 243,574	\$ 230,447	\$ (13,127)

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL MAJOR STREETS

FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes				
Midland County road tax	\$ 14,186	\$ 16,250	\$ 16,849	\$ 599
Intergovernmental revenue				
Gas and weight tax	78,720	85,865	85,705	(160)
Build Michigan Program	2,832	2,850	2,838	(12)
Total intergovernmental revenue	81,552	88,715	88,543	(172)
Other	650	320	301	(19)
Total revenues	96,388	105,285	105,693	408
Expenditures				
Routine maintenance	76,795	58,250	52,418	(5,832)
Winter maintenance	40,896	32,095	32,085	(10)
Administration	3,260	3,260	3,217	(43)
Construction	23,957	13,500	13,297	(203)
Total expenditures	144,908	107,105	101,017	(6,088)
Revenues over (under) expenditures	(48,520)	(1,820)	4,676	6,496
Other financing sources				
Transfer in	9,600	9,600	9,600	-
Net change in fund balance	(38,920)	7,780	14,276	6,496
Fund balance, beginning of year,	46,929	46,929	46,929	-
Fund balance, end of year	\$ 8,009	\$ 54,709	\$ 61,205	\$ 6,496

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL STREET AND SIDEWALK IMPROVEMENT

FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Amended Budget	Actual	OVER (UNDER) BUDGET
Revenues				
Taxes				
Property taxes	\$ 65,534	\$ 66,651	\$ 66,561	\$ (90)
Other	800	6,656	6,626	(30)
Total revenues	66,334	73,307	73,187	(120)
Expenditures				
Construction	13,907	82,390	82,374	(16)
Net change in fund balance	52,427	(9,083)	(9,187)	(104)
Fund balance, beginning of year,	47,833	47,833	47,833	-
Fund balance, end of year	<u>\$ 100,260</u>	<u>\$ 38,750</u>	<u>\$ 38,646</u>	<u>\$ (104)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2004

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
ASSETS					
Current assets					
Cash and cash equivalents	\$ 51,881	\$ 101,114	\$ 7,126	\$ 160,121	\$ 15,047
Certificates of deposit	163,038	25,477	543,711	732,226	-
Accounts receivable	28,330	31,386	-	59,716	-
Due from other funds	-	-	-	-	30,054
Restricted assets					
Customer deposits	-	-	8,925	8,925	-
Capital assets					
Land and improvements	85,689	8,800	5,727	100,216	-
Buildings	21,980	533,502	-	555,482	-
Senior housing complex	-	-	1,194,997	1,194,997	-
Water collection system	-	476,142	-	476,142	-
Sewer disposal system	1,093,486	-	-	1,093,486	-
Equipment	36,370	28,829	-	65,199	356,776
Less accumulated depreciation	(973,902)	(592,067)	(228,483)	(1,794,452)	(240,732)
Total capital assets	263,623	455,206	972,241	1,691,070	116,044
Total assets	506,872	613,183	1,532,003	2,652,058	161,145
LIABILITIES					
Current liabilities					
Accounts payable	\$ 424	\$ 1,335	\$ 2,714	\$ 4,473	\$ 208
Due to other funds	8,786	7,680	1,147	17,613	366
Customer deposits	-	-	8,925	8,925	-
Current portion of long term debt	-	-	-	-	7,651
Non-current liabilities					
Long term debt	-	-	-	-	3,827
Total liabilities	9,210	9,015	12,786	31,011	12,052
Net Assets					
Invested in capital assets	263,623	455,206	972,241	1,691,070	116,044
Unrestricted	234,039	148,962	546,976	929,977	33,049
Total Net Assets	<u>\$ 497,662</u>	<u>\$ 604,168</u>	<u>\$ 1,519,217</u>	2,621,047	<u>\$ 149,093</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				4,182	
Net assets of business-type activities on the governmental-wide statement of net assets				<u>\$ 2,625,229</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 2004

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Operating revenues					
Charges for services	\$ 91,861	\$ 109,269	\$ -	\$ 201,130	\$ 116,174
Tap-in fees	1,800	2,108	-	3,908	-
Penalties on service revenue	1,642	1,748	-	3,390	-
Rental income	-	7,212	130,456	137,668	-
Miscellaneous	-	48	3,946	3,994	5,162
Total operating revenues	95,303	120,385	134,402	350,090	121,336
Operating expenses					
Wages and fringes	60,738	73,242	15,698	149,678	34,646
Utilities	3,959	8,498	16,059	28,516	-
Equipment rental	11,449	10,792	144	22,385	-
Operating supplies	14,327	13,108	19,408	46,843	31,169
Miscellaneous	908	1,637	856	3,401	-
Professional fees	3,500	2,400	2,100	8,000	3,500
Depreciation	28,206	22,742	30,641	81,589	23,218
Repairs & maintenance	-	-	13,541	13,541	-
Insurance	-	-	6,200	6,200	6,000
Contracted services	-	636	3,943	4,579	-
Total operating expenses	123,087	133,055	108,590	364,732	98,533
Operating income (loss)	(27,784)	(12,670)	25,812	(14,642)	22,803
Nonoperating revenues (expenses)					
Interest revenue	4,284	742	14,249	19,275	34
Interest expense	-	-	-	-	(1,058)
Total non-operating revenues (expenses)	4,284	742	14,249	19,275	(1,024)
Change in net assets	(23,500)	(11,928)	40,061	4,633	21,779
Net assets, beginning of year	521,162	616,096	1,479,156	2,616,414	127,314
Net assets, end of year	\$ 497,662	\$ 604,168	\$ 1,519,217	\$ 2,621,047	\$ 149,093

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
OF THE ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Change in net assets - all enterprise funds	\$ 4,633
 An internal service fund is used by management to charge the costs of certain equipment usage to individual enterprise funds. The net revenue (expense) attributable to those funds is reported with business-type activities.	
 Add - net operating gain from business-type activities in internal service fund	 <u>4,182</u>
Change in net assets of business-type activities	 <u><u>\$ 8,815</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Cash flows from operating activities					
Cash received from customers	\$ 100,635	\$ 125,509	\$ 134,402	\$ 360,546	\$ -
Cash received from interfund services provided	-	-	-	-	99,776
Cash payments to suppliers for goods and services	(33,740)	(34,696)	(61,459)	(129,895)	(40,620)
Cash payments to employees for services	(60,738)	(73,242)	(15,698)	(149,678)	(34,646)
Net cash provided by operating activities	6,157	17,571	57,245	80,973	24,510
Cash from capital and related financing activities					
Interest on debt	-	-	-	-	(1,058)
Proceeds from the issuance of debt	-	-	-	-	11,512
Principal payments on capital lease obligations	-	-	-	-	(10,497)
Proceeds from the sale of capital assets	-	-	-	-	4,000
Acquisition of capital assets	-	-	(5,727)	(5,727)	(22,562)
Net cash (used in) capital and related financing activities	-	-	(5,727)	(5,727)	(18,605)
Cash from investing activities					
Interest on investments	4,284	742	14,249	19,275	34
Investment in certificates of deposit	(2,297)	(389)	(67,220)	(69,906)	-
Net cash provided by (used in) investing activities	1,987	353	(52,971)	(50,631)	34
Net increase (decrease) in cash and cash equivalents	8,144	17,924	(1,453)	24,615	5,939
Cash and cash equivalents, beginning of year	43,737	83,190	17,504	144,431	9,108
Cash and cash equivalents, end of year	<u>\$ 51,881</u>	<u>\$ 101,114</u>	<u>\$ 16,051</u>	<u>\$ 169,046</u>	<u>\$ 15,047</u>
Non-cash investing capital and financing transactions					
All dividends and interest income were immediately reinvested in the cash management funds					
Cash from operating activities					
Operating income (loss)	\$ (27,784)	\$ (12,670)	\$ 25,812	\$ (14,642)	\$ 22,803
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:					
Depreciation	28,206	22,742	30,641	81,589	23,218
Gain on disposal of capital assets	-	-	-	-	(162)
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	2,944	2,143	-	5,087	-
Due from other funds	2,388	2,981	-	5,369	(21,398)
Accounts payable	(620)	(430)	903	(147)	(317)
Due to other funds	1,023	2,805	(111)	3,717	366
Net cash provided by operations	<u>\$ 6,157</u>	<u>\$ 17,571</u>	<u>\$ 57,245</u>	<u>\$ 80,973</u>	<u>\$ 24,510</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2004

	ASSETS	AGENCY FUND
		<u> </u>
Cash		<u>\$ 3,627</u>
	LIABILITIES	
Undistributed receipts		<u>\$ 3,627</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

City of Coleman (the “City”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the City. Therefore, the reporting entity consists only of the primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for Agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the revenue and the related operation and maintenance of the major street system.

The *street and sidewalk improvement fund* accounts for the revenue and the related operation and maintenance of the City's streets and sidewalks.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *senior housing fund* accounts for the activities of the government's senior housing complex.

Additionally, the City reports the following fund types:

Internal service funds account for the equipment rental services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for the assets held other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and senior housing enterprise funds are charges to customers for sales and services. The sewer and water funds also recognize as operating revenues the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

ASSETS, LIABILITIES AND EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

City property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the City's own property taxes and taxes billed on behalf of the school districts within the City's boundaries and Midland County.

Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Prepaid items

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

Proceeds received from tenants of the Pere Marquette Senior Housing facility that represent refundable deposits have been classified as restricted assets.

Capital assets

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems and roads and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Public domain infrastructure	5-50
Building	40
Senior housing complex	40
Equipment	3
Collections and disposal systems	5-10

Compensated absences

The City does not allow employees to accumulate substantial levels of compensated absences from year to year. Employees do not receive a payoff of the accumulated compensated absences at termination.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to June 1, the departments submit to the City Council a proposed departmental operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Internal Service and Enterprise Funds informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- The legal level of control is at the activity level for the General and Special Revenue Funds.
- Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the City Council

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund had expenditures exceeding budgeted appropriations at the activity level, which is the City's legal level of budgetary control for the year ended June 30, 2004.

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
GENERAL FUND			
GENERAL GOVERNMENT			
Mayor and council	33,397	33,421	24
PUBLIC SAFETY			
Housing code enforcement	1,870	1,971	101
PUBLIC WORKS			
Department of public works	47,510	51,535	4,025
RECREATION AND CULTURE	28,610	28,760	156

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the City's deposits and investments is as follows:

	<u>Total</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 1,377,391
Restricted assets - cash and cash equivalents	8,925
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>3,627</u>
	<u>\$ 1,389,943</u>
Notes to Financial Statements:	
Deposits	\$ 1,389,893
Cash on hand	<u>50</u>
	<u>\$ 1,389,943</u>

Deposits – At June 30, 2004, the carrying amount of the City's deposits was \$1,389,893 and the bank balance was \$708,085. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and \$508,085 was neither insured nor collateralized.

Investments:

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

B. RECEIVABLES

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Receivables:		
Accounts	\$ 22,089	\$ 59,716
Intergovernmental	<u>31,701</u>	<u>-</u>
 Total receivables	 <u>\$ 53,790</u>	 <u>\$ 59,716</u>

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – Land	\$ 377,008	\$ -	\$ -	\$ 377,008
Capital assets being depreciated:				
Buildings	318,101	-	-	318,101
Infrastructure	-	110,037	-	110,037
Public safety	82,033	-	-	82,033
Machinery and equipment	<u>383,404</u>	<u>22,562</u>	<u>(6,579)</u>	<u>399,387</u>
Total capital assets being depreciated	<u>783,538</u>	<u>132,599</u>	<u>-</u>	<u>909,558</u>
Less accumulated depreciation				
Buildings	(194,065)	(5,638)	-	(199,703)
Public domain infrastructure	-	(4,800)	-	(4,800)
Public safety	(46,755)	(9,967)	-	(56,722)
Machinery and equipment	<u>(230,934)</u>	<u>(30,351)</u>	<u>2,741</u>	<u>(258,544)</u>
Total accumulated depreciation	<u>(471,754)</u>	<u>(50,756)</u>	<u>2,741</u>	<u>(519,769)</u>
Total capital assets being depreciated, net	<u>311,784</u>	<u>81,843</u>	<u>(3,838)</u>	<u>389,789</u>
Governmental activities capital assets, net	<u>\$ 688,792</u>	<u>\$ 81,843</u>	<u>\$ (3,838)</u>	<u>\$ 766,797</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being				
Depreciated				
Land	\$ 61,289	\$ 5,727	\$ -	\$ 67,016
Capital assets being				
depreciated:				
Buildings	555,482	-	-	555,482
Land improvements	33,200	-	-	33,200
Senior housing complex	1,194,998	-	-	1,194,998
Collection & disposal system	1,588,358	-	-	1,588,358
Equipment	46,470	-	-	46,470
Total capital assets being				
depreciated	3,418,508	-	-	3,418,508
Less accumulated depreciation:				
Buildings	(237,174)	(13,646)	-	(250,820)
Land improvements	(33,200)	-	-	(33,200)
Senior housing complex	(197,842)	(30,641)	-	(228,483)
Collection & disposal system	(1,184,914)	(36,294)	-	(1,221,208)
Equipment	(59,735)	(1,008)	-	(60,743)
Total accumulated depreciation	(1,712,865)	(81,589)	-	(1,794,454)
Total capital assets being				
depreciated, net	1,705,643	(81,589)	-	1,624,054
Business-type activities				
capital assets, net	\$ 1,766,932	\$ (75,862)	\$ -	\$ 1,691,070

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 3,813
Public safety	9,968
Public works	30,641
Culture and recreation	1,534
General services	4,800

Total depreciation expense – governmental activities \$ 50,756

Business-type activities:

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Sewer	\$ 28,206
Water	22,742
Senior housing	<u>30,641</u>
Total depreciation expense – business-type activities	<u><u>\$ 81,589</u></u>

D. PAYABLES

Accounts payable and accrued expenses as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 26,740	\$ 4,473
Payroll liabilities	<u>5,907</u>	<u>8,925</u>
Total payables	<u><u>\$ 32,647</u></u>	<u><u>\$ 13,398</u></u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2004, is as follows:

<u>Due to</u>	<u>Due From</u>								
	General	Major Streets	Non-Major Governmental Funds	Senior Housing Complex	Sewer	Water	Equipment Rental	Total	
General	\$ -	\$ 2,551	\$ 34	\$ 1,147	\$ 4,807	\$ 3,813	\$ 366	\$ 12,718	
Internal service fund	15,285	6,280	277	-	3,979	3,867	-	29,688	
Total	<u><u>\$ 15,285</u></u>	<u><u>\$ 8,831</u></u>	<u><u>\$ 311</u></u>	<u><u>\$ 1,147</u></u>	<u><u>\$ 8,786</u></u>	<u><u>\$ 7,680</u></u>	<u><u>\$ 366</u></u>	<u><u>\$ 42,406</u></u>	

The interfund receivables and payables for the City consist of amounts due to the General fund for fringe benefits paid by the General fund, and amounts due to the Equipment rental fund for equipment rental charges.

<u>Transfer to</u>	<u>Transfer from</u>
	General Fund
Major Streets	\$ 9,600

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

G. LONG-TERM DEBT

Long-term obligations for the year ended June 30, 2004, were as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment Contracts					
City police vehicle – original issue of \$23,122 with an annual maturity of \$5,730 maturing through June 1, 2004, bearing interest of 7%	\$ 5,382	\$ -	\$ (5,382)	\$ -	\$ -
John Deere-Lawn Mower-original issue of \$22,933 with an annual maturity of \$4,587, maturing through September 11, 2004 bearing interest of 9.99%.	7,962	-	(3,791)	4,171	4,171
John Deere-Rotary Cutter- original issue of \$10,793 with an annual maturity of \$2,698 maturing through June 20, 2004, bearing interest of 7.9%.	2,501	-	(2,501)	-	-
1999 GMC Regular Cab Dump truck, original issue of \$11,512 with annual maturities of \$4,205 maturing through September 29, 2005 bearing interest of 9.9%.	-	<u>11,512</u>	<u>(4,205)</u>	<u>7,307</u>	<u>3,480</u>
Subtotal	<u>15,845</u>	<u>11,512</u>	<u>(15,879)</u>	<u>11,478</u>	<u>7,651</u>
TOTAL LONG-TERM DEBT	<u>\$ 15,845</u>	<u>\$ 11,512</u>	<u>\$ (15,879)</u>	<u>\$ 11,478</u>	<u>\$ 7,651</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the governmental installment contracts are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 7,651	\$ 1,141
2006	3,827	379
	<u>\$ 11,478</u>	<u>\$ 1,520</u>

H. LEASES

The City's leasing operation consists of leasing apartments in the senior housing complex. Leases are generally signed for one-year terms and are classified as operating leases. The City's investment in property held for lease at June 30, 2004, consists of the following:

Senior housing complex	\$ 1,200,724
Less accumulated depreciation	<u>(228,483)</u>
Total	<u>\$ 972,241</u>

Rental income from the leasing operation was \$130,456 for the year ended June 30, 2004.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement system of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate is 16.57% of annual covered payroll. City employees are required to contribute 3 - 5% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$38,440 for MERS was equal to the City's required and actual contributions. The required contribution was determined using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$20,039	100%	\$0
6/30/03	37,474	100	0
6/30/04	38,440	100	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
12/31/01	\$823,941	\$1,246,488	\$422,547	66%	\$229,868	184%
12/31/02	850,931	1,276,998	426,067	67	235,297	181%
12/31/03	925,190	1,339,802	414,612	69	241,454	172%

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

B. PROPERTY TAXES

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before September 30. These summer tax bills include the City's own property taxes and taxes billed on behalf of the community college which covers the district in which the City is located. Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

The City acts as a collection agent for the State of Michigan, Midland County, the intermediate school district, the local school district and the library located within the City limits for winter property taxes.

Taxes collected on behalf of the school districts, Midland County, the State of Michigan and the library are turned over to the districts, County, State, and library immediately following collection and are accounted for in designated agency funds.

C. RESTATEMENTS

Implementation of new accounting standards

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- ◆ No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

Government-wide financial statements.

Beginning net assets for governmental activities were determined as follows:

Fund balances of general, special revenue, and capital project funds as of 6/30/03	\$ 491,342
Add: governmental capital assets, including general fixed assets, as of 6/30/03	819,752
Deduct: accumulated depreciation as of 6/30/03 on above governmental fixed assets	(251,498)
Deduct: installment contract payable as of 6/30/03	(5,382)
Elimination of internal service fund activities as of 6/30/03	<u>127,314</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 1,181,528</u>

D. CONTINGENCIES AND COMMITMENTS

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, City management does not believe such disallowances, if any, will be material to the financial position of the City.

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CITY OF COLEMAN

GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES BUDGET AND ACUTAL

FOR THE YEAR ENDED JUNE 30, 2004
(With comparative actual amounts for the year ending June 30, 2003)

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>
Taxes			
Current property taxes	\$ 196,600	\$ 205,040	\$ 205,462
Tax administration fees	6,200	9,076	9,076
Trailer park fees	<u>300</u>	<u>262</u>	<u>306</u>
Total taxes	<u>203,100</u>	<u>214,378</u>	<u>214,844</u>
Intergovernmental revenue - State of Michigan			
Sales tax	176,400	178,126	178,127
Liquor license	<u>1,200</u>	<u>1,203</u>	<u>1,203</u>
Total intergovernmental revenue - State of Michigan	<u>177,600</u>	<u>179,329</u>	<u>179,330</u>
Charges for services			
Refuse collections	80,855	79,343	74,554
Weed cutting	750	450	448
Duplicating and photostats	50	136	147
Inspections	<u>3,500</u>	<u>3,442</u>	<u>3,442</u>
Total charges for services	<u>85,155</u>	<u>83,371</u>	<u>78,591</u>
Fines and forfeits			
Library fines and 75th District Court	<u>250</u>	<u>4,200</u>	<u>4,290</u>
Other revenue			
Miscellaneous	19,950	36,390	23,201
Reimbursements	-	-	-
Interest income	<u>5,500</u>	<u>2,500</u>	<u>2,438</u>
Total other revenue	<u>25,450</u>	<u>38,890</u>	<u>25,639</u>
Total revenues	<u>\$ 491,555</u>	<u>\$ 520,168</u>	<u>\$ 502,694</u>

OVER (UNDER) BUDGET	2003
\$ 422	\$ 209,210
-	9,002
44	257
466	218,469
1	176,468
-	1,196
1	177,664
(4,789)	77,657
(2)	1,133
11	29
-	2,602
(4,780)	81,421
90	694
(13,189)	28,720
-	1,850
(62)	3,635
(13,251)	34,205
\$ (17,474)	\$ 512,453

CITY OF COLEMAN

GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
General government				
Mayor and council	\$ 34,050	\$ 33,397	\$ 33,421	\$ 24
Assessor	6,735	7,030	6,959	(71)
Treasurer	9,030	9,135	8,609	(526)
Elections	150	50	46	(4)
Clerk	7,880	6,774	6,334	(440)
Public property	36,200	48,976	48,638	(338)
Planning commission	75	78	78	-
Total general government	94,120	105,440	104,085	(1,355)
Public safety				
Police department	127,539	139,853	139,448	(405)
Fire protection	27,805	27,805	27,805	-
Housing code enforcement	1,875	1,870	1,971	101
Total public safety	157,219	169,528	169,224	(304)
Public works				
Sanitation	80,855	79,343	77,110	(2,233)
Storm sewers	20,133	19,388	19,024	(364)
Department of public works	56,230	47,510	51,535	4,025
Total public works	157,218	146,241	147,669	1,428
Recreation and cultural - Parks department	33,815	28,610	28,766	156
Other functions - Insurance	28,225	30,208	25,936	(4,272)
Total expenditures	470,597	480,027	475,680	(4,347)
Other financing uses - transfers out	9,600	9,600	9,600	-
Total expenditures and financing uses	\$ 480,197	\$ 489,627	\$ 485,280	\$ (4,347)

CITY OF COLEMAN

GENERAL FUND DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

(With comparative actual amounts for the year ended June 30, 2003)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2003
General government					
Mayor and council					
Legislative wages and benefits	\$ 1,250	\$ 1,238	\$ 1,238	\$ -	\$ 1,250
Office supplies	2,000	2,000	1,199	(801)	1,902
Legal fees	10,000	10,420	11,043	623	12,352
Election fees	-	-	-	-	1,056
Audit and accounting	6,000	4,285	4,285	-	4,350
Board of Review fees and per diem	500	360	360	-	300
Newspaper notices	3,000	2,035	2,187	152	3,281
Dues	1,400	1,359	1,359	-	1,359
Telephone	850	800	876	76	730
Computer replacement	700	700	700	-	700
Contributions to library	-	-	-	-	23,205
Other administrative costs	8,350	10,200	10,174	(26)	19,743
Total mayor and council	34,050	33,397	33,421	24	70,228
Assessor					
Wages and benefits	5,885	5,885	5,855	(30)	5,700
Other	850	1,145	1,104	(41)	752
Total assessor	6,735	7,030	6,959	(71)	6,452
Treasurer					
Wages and benefits	6,230	6,320	5,778	(542)	6,017
Office supplies	1,700	1,700	1,606	(94)	2,445
Other	1,100	1,115	1,225	110	1,124
Total treasurer	9,030	9,135	8,609	(526)	9,586
Elections					
Office supplies	150	50	46	(4)	125
Other	-	-	-	-	31
Total elections	150	50	46	(4)	156
Clerk					
Wages and benefits	7,080	2,600	2,100	(500)	2,948
Education	200	400	397	(3)	290
Office supplies	600	800	752	(48)	1,577
Other	-	2,974	3,085	111	5,279
Total clerk	7,880	6,774	6,334	(440)	10,094

CITY OF COLEMAN

GENERAL FUND DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004

(With comparative actual amounts for the year ended June 30, 2003)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2003
General government (continued)					
Public property - city hall and grounds					
Utilities	\$ 29,400	\$ 41,526	\$ 40,914	\$ (612)	\$ 35,617
Repair and maintenance	6,800	7,450	7,724	274	7,319
Total public property - city hall and grounds	36,200	48,976	48,638	(338)	42,936
Planning commission					
Other	75	78	78	-	770
Total general government	94,120	105,440	104,085	(1,355)	140,222
Public safety					
Police department					
Salaries, wages and benefits	102,255	110,308	109,935	(373)	104,341
Supplies	5,000	6,000	5,755	(245)	7,127
Clothing	500	900	737	(163)	1,373
Laundry and cleaning	250	125	106	(19)	229
Legal fees	2,700	4,000	3,562	(438)	3,246
Telephone	1,500	1,500	1,493	(7)	1,934
Equipment repair and maintenance	7,084	8,970	9,747	777	10,357
Gas and oil	1,700	1,700	1,859	159	1,363
Training	500	500	424	(76)	370
Other	6,050	5,850	5,830	(20)	6,030
Total police department	127,539	139,853	139,448	(405)	136,370
Fire protection					
Contractual services - fire protection	27,805	27,805	27,805	-	26,241
Housing code enforcement					
Wages and benefits	1,250	1,270	1,356	86	1,026
Telephone	25	-	25	25	25
Supplies	600	600	590	(10)	636
Total housing code enforcement	1,875	1,870	1,971	101	1,687
Total public safety	157,219	169,528	169,224	(304)	164,298

CITY OF COLEMAN
GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2004
(With comparative actual amounts for the year ending June 30, 2003)

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET	2003
Public works					
Sanitation					
Wages and benefits	\$ 20,605	\$ 16,950	\$ 15,889	\$ (1,061)	\$ 13,689
Supplies	500	500	484	(16)	301
Equipment rental	11,000	10,146	9,998	(148)	7,645
Contracted services	48,750	51,747	50,739	(1,008)	47,016
Capital outlay	-	-	-	-	27,450
Total sanitation	80,855	79,343	77,110	(2,233)	96,101
Storm sewers					
Wages and benefits	8,800	11,288	11,423	135	6,789
Supplies	4,333	1,100	454	(646)	1,650
Equipment rental	7,000	7,000	7,147	147	2,678
Capital outlay	-	-	-	-	14,640
Total storm sewers	20,133	19,388	19,024	(364)	25,757
Department of public works					
Wages and benefits	34,424	26,760	28,627	1,867	21,925
Repairs and maintenance	10,606	9,550	9,528	(22)	7,219
Telephone	1,200	1,200	1,106	(94)	1,854
Equipment rental	10,000	10,000	12,274	2,274	10,165
Total department of public works	56,230	47,510	51,535	4,025	41,163
Total public works	157,218	146,241	147,669	1,428	163,021
Recreational and cultural - Parks department					
Wages and benefits	16,865	14,510	14,288	(222)	11,519
Utilities	1,300	1,300	1,043	(257)	1,172
Repairs and maintenance	2,750	2,000	2,025	25	1,833
Equipment rental	12,900	10,800	11,410	610	7,999
Total recreational and cultural - Parks department	33,815	28,610	28,766	156	22,523
Other functions - Insurance	28,225	30,208	25,936	(4,272)	26,121
Total expenditures	470,597	480,027	475,680	(4,347)	516,185
Other financing uses - transfers out	9,600	9,600	9,600	-	10,000
Total expenditures and other financing uses	\$ 480,197	\$ 489,627	\$ 485,280	\$ (4,347)	\$ 526,185

CITY OF COLEMAN

COMBINED BALANCE SHEET

NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2004

	Special Revenue Fund	Capital Project Fund	
	LOCAL STREET	CAPITAL PROJECTS	TOTAL
Assets			
Cash	\$ 114,772	\$ -	\$ 114,772
Certificates of deposit	-	36,762	36,762
Due from other governmental units	2,517	-	2,517
Total assets	<u>\$ 117,289</u>	<u>\$ 36,762</u>	<u>\$ 154,051</u>
Liabilities and fund equity			
Liabilities			
Accounts payable	\$ 500	\$ -	\$ 500
Due to other funds	311	-	311
Total liabilities	<u>811</u>	<u>-</u>	<u>811</u>
Fund equity			
Fund balances:			
Reserved	-	36,762	36,762
Unreserved:			
Undesignated	116,478	-	116,478
Total fund equity	<u>116,478</u>	<u>36,762</u>	<u>153,240</u>
Total liabilities and fund equity	<u>\$ 117,289</u>	<u>\$ 36,762</u>	<u>\$ 154,051</u>

CITY OF COLEMAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	Capital Project Fund	
	LOCAL STREETS	CAPITAL PROJECTS	TOTAL
Revenues			
Gas and weight tax	\$ 29,644	\$ -	\$ 29,644
Build Michigan Program	982	-	982
	<u>30,626</u>	<u>-</u>	<u>30,626</u>
Total intergovernmental revenue			
	<u>1,022</u>	<u>1,382</u>	<u>2,404</u>
Other			
	<u>31,648</u>	<u>1,382</u>	<u>33,030</u>
Total revenues			
Expenditures			
Routine maintenance	15,056	-	15,056
Winter maintenance	13,267	-	13,267
Administration	500	-	500
Construction	34,514	-	34,514
	<u>63,337</u>	<u>-</u>	<u>63,337</u>
Total expenditures			
	<u>(31,689)</u>	<u>1,382</u>	<u>(30,307)</u>
Net change in fund balances			
	<u>148,167</u>	<u>35,380</u>	<u>183,547</u>
Fund balances, beginning of year			
	<u>\$ 116,478</u>	<u>\$ 36,762</u>	<u>\$ 153,240</u>
Fund balances, end of year			

CITY OF COLEMAN

LOCAL STREETS NONMAJOR SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	OVER (UNDER) BUDGET
Revenues				
Gas and weight tax	\$ 23,264	\$ 29,685	\$ 29,644	\$ (41)
Build Michigan Program	820	982	982	-
Total intergovernmental revenue	24,084	30,667	30,626	(41)
Other	2,400	1,050	1,022	(28)
Total revenues	26,484	31,717	31,648	(69)
Expenditures				
Routine maintenance	23,250	16,435	15,056	(1,379)
Winter maintenance	15,750	13,267	13,267	-
Administration	500	500	500	-
Construction	35,091	34,514	34,514	-
Total expenditures	74,591	64,716	63,337	(1,379)
Net change in fund balance	(48,107)	(32,999)	(31,689)	1,310
Fund balance, beginning of year	148,167	148,167	148,167	-
Fund balance, end of year	<u>\$ 100,060</u>	<u>\$ 115,168</u>	<u>\$ 116,478</u>	<u>\$ 1,310</u>

CITY OF COLEMAN
CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

Revenues	
Other	\$ 1,382
Fund balance, beginning of year	<u>35,380</u>
Fund balance, end of year	<u><u>\$ 36,762</u></u>



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 6, 2004

City Council
City of Coleman
Coleman, Michigan

We have audited the financial statements of the *City of Coleman*, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 6, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *City of Coleman's* basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *City of Coleman's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the *City of Coleman's* ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Due to the limited number of personnel involved in processing and recording accounting information, there is a lack of complete segregation of duties in the City's accounting functions. This condition has been present in the City for sometime; the City has determined that continued interaction and review by members of the City Council is the most efficient way to mitigate this weakness in internal control.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.